

# Tennessee Higher Education Commission

## Revised Policy

**Section Title:** Financial Policies

**Policy Title:** Capital Outlay and Capital Maintenance Funding Recommendations

**Policy Number:** F4.0

4.0.10 **Introduction.** Each year, pursuant to T.C.A. 49-7-202, the Tennessee Higher Education Commission staff will transmit to both governing boards capital outlay and capital maintenance funding request guidelines, which include Department of Finance and Administration requirements. In accordance with the guidelines, each governing board will submit their requested capital outlay and capital maintenance projects in numerical priority beginning with the number 1 and listing subsequent projects in progressive numeral order. The project information included for each request must address the proposed source or sources of funding. THEC staff will review the requests and make a recommendation to the Commission regarding the governing boards' capital outlay and maintenance requests. The Commission's actions then will be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request. All appropriation recommendations for capital outlay and capital maintenance projects will be distributed between the two governing boards in a fair and equitable manner.

4.0.20 **State Funded Capital Outlay Projects.** This category includes all new construction and renovation projects that utilize state funding in whole or in part. The overall goal of the capital outlay program is to provide physical facilities to enable each institution to provide a quality educational atmosphere, to fulfill their role and mission. The Commission staff will use the following priorities in the order presented to establish a unified capital outlay recommendation for capital projects:

Priority 1 - The first priority is to address essential projects that are of an emergency nature to avoid immediate danger to the life and property of students and staff. Projects at this priority level also include recovery from the aftermath of extensive damages to one or more buildings. These projects will be recommended before all other projects.

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Priority 2 - This priority is to address projects that are consistent with the requirements of legal or court-ordered mandates.

Priority 3 - This priority is to address renovation projects that directly support the teaching function.

Priority 4 - This priority is to address the construction of new space that directly supports the teaching function.

Priority 5 - This priority is to address the renovation of buildings that are obsolete due to age or condition.

4.0.20A      Priority Criteria. THEC staff will utilize the following criteria in priority order to establish a unified capital outlay recommendation for capital projects related to Priorities 3-5 above:

1.    Equipment not previously funded but required to complete a capital project.
2.    Renovations of existing space to address deteriorated physical conditions or functional deficiencies.
3.    New construction of facilities that directly support the teaching function.
4.    Other projects that do not directly support the teaching function.

4.0.20B      Priority Order. The priority order that each governing board assigns to its recommended projects will be maintained unless the Commission determines that a critical need would not be addressed by doing so.

#### **1.0.30      Standard Process for Disclosure of Non State Funded Capital Projects**

4.0.30A      As part of the annual appropriation request process, each governing board shall transmit to the THEC staff a list of capital projects to be considered for funding through the Tennessee State School Bond Authority or sources other than state appropriations.

4.0.30B      Due to the length of time that is involved in the budget process the two governing boards should include in their request the projects that they anticipate presenting to the State Building Commission in the upcoming two fiscal years.

4.0.30C      THEC staff will review the requests and make a recommendation to the Commission.

4.0.30D      The Commission's actions will be transmitted to the Department of Finance and Administration for review and disclosure in the annual budget document.

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4.0.30E The disclosed projects listing submitted by each system must include the following information: Project Name, Project Description, Funding Source; Estimated Project Cost; and the amount of square feet that will be added to the institution's current Educational and General square footage total.

4.0.30F A project that is listed on an approved Disclosed Projects listing and has not received SBC approval within two years will lose its disclosed status. The governing board may again disclose this project in future budget cycles.

#### **4.0.31 Amendments to the Disclosure Listing**

4.0.31A Amendments to the Disclosed Projects listing shall be transmitted to THEC staff by each governing board by March 31<sup>st</sup> of each year for consideration by the Commission at the spring quarterly meeting.

1. In April of each year THEC staff will transmit to the Department of Finance and Administration the Commission's action on amendments to the Disclosed Projects listing for review and inclusion in the Appropriations Bill.

4.0.31B No further amendments will be made to the Disclosed Projects listing unless the project is:

1. of a true emergency nature to avoid immediate danger to persons or property; or unforeseen maintenance projects absolutely essential and indispensable to campus operations.
  - (a) A project in this category will be expedited and recommended by THEC for consideration by the State Building Commission at its next regularly scheduled meeting.
2. a special opportunity project. An example of projects in this category includes the receipt of a federal grant or private donation that requires the immediate construction, renovation, or demolition of space. In addition, the requirements of the grant or donation are such that the project cannot wait for consideration in the next budget cycle.
  - (a) Once THEC makes a recommendation for approval, a minimum of 30 days will transpire before the project may be formally submitted to the SBC for action.

#### **4.0.32 Amendments Process**

4.0.32A A request to amend the Disclosed Projects listing shall be submitted by the president or chancellor of the governing board to THEC staff for review and approval prior to any request for action by the State Building Commission. The request shall include a

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letter explaining the need for the project, the amount and source of funding, and providing appropriate documentation to support the request.

- 4.0.32B The Executive Director of THEC may approve an amendment on behalf of the Commission for projects that fall into either the emergency and/or special opportunity categories. In this case THEC staff will promptly notify the governing board, the Commissioner of Finance and Administration, the Chairs of the House and the Senate Finance Committees, the Legislative Budget Office, and members and staff of the State Building Commission of the recommended change to the project disclosure list and the effect that the project will produce in the institution's Educational and General square footage total.
- 4.0.32C A project that is listed on an approved Disclosed Projects listing and has not received SBC approval within two years will lose its disclosed status. The governing board may again disclose this project in future budget cycles.
- 4.0.40 **Capital Maintenance Projects** - Each governing boards' list of requested capital maintenance projects must be submitted to the THEC staff in priority order by project which reflects their capital maintenance needs. THEC staff will make a recommendation to the Commission for each governing boards' capital maintenance request based upon the governing boards' priorities. The Commission's actions will be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request.
- 4.0.50 The Executive Director is authorized to make appropriate adjustments to the capital outlay and capital maintenance recommendations as necessary on behalf of the Commission.

Approved:	April 22, 1988
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